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SOME ECONOMIC ORIGINS OF JEFFERSONIAN DEMOCRACY

THOMAS JEFFERSON, in the course of certain general reflections on the causes of party divisions, attributed the antagonism between Federalists and Republicans to divergences in theories of state. "Fear and distrust" of the people was the principle which dominated the former, while the latter rested their cause on "the cherishment of the people".¹ This explanation of that party antagonism was cordially received in nearly every quarter, particularly after the downfall of Federalism, and it is still accepted with a whole heart wherever the magic of Jefferson's name remains undiminished. In wide circles it is an approved axiom, possessing a validity not unlike that assigned by the mathematicians to the multiplication table.

It should be noted, however, that Jefferson himself, while apparently ascribing the origins of the two parties to differences over "the cherishment of the people", firmly believed that his opponents were deeply, grossly, and even corruptly interested in the first great measures of Congress over which the split occurred. Indeed, he put on record his conviction that not a single one of the great Federalist fiscal measures, which rent the country in twain, would have passed if it had not been for the fact that greedy Federalists in Congress put private interests above public service. Writing in the *Anas* on Hamilton's financial system, he said,

It had two objects. 1st, as a puzzle, to exclude popular understanding and inquiry. 2dly, as a machine for the corruption of the legislature; for he [Hamilton] avowed the opinion that man could be governed by one of two motives only, force or interest: force, he observed, in this country, was out of the question; and the interests therefore of the members must be laid hold of, to keep the legislature in unison with the Executive. And with grief and shame it must be acknowledged that his machine was not without effect. That even in this, the birth of our government, some members were found sordid enough to bend their duty to their interests, and to look after personal, rather than public good. . . . In the bill for funding and paying these [old securities], Hamilton made no difference between the original holders, and the fraudulent purchasers of this paper. Great and just repugnance arose at putting these two classes of creditors on the same footing, and great exertions were used to pay to the former the full value, and to the latter the price only which he had paid, with interest. But this would have prevented the game

¹ *Writings* (Ford ed.), X. 227, note.

which was to be played, and for which the minds of greedy members were already tutored and prepared.²

In fact, Jefferson believed that Hamilton's fiscal measures would never have been carried had it not been for "a corrupt squadron of stock jobbers" in Congress. On February 4, 1791, he wrote to George Mason:

What is said in our country of the fiscal arrangements now going on? I really fear their effect when I consider the present temper of the Southern states. Whether these measures be right or wrong abstractedly, more attention should be paid to the general opinion. . . . The only corrective of what is corrupt in our present form of government will be the augmentation of the numbers in the lower house, so as to get a more agricultural representation, which may put that interest above that of the stock-jobbers.³

A year later Jefferson became more specific. He declared that the great outlines of Hamilton's system had been carried "by the votes of the very persons who, having swallowed his bait, were laying themselves out to profit by his plans"; and he added that

had these persons withdrawn, as those interested in a question ever should, the vote of the disinterested majority was clearly the reverse of what they made it. These were no longer the votes then of the representatives of the people. . . and it was impossible to consider their decisions, which had nothing in view but to enrich themselves, as the measures of the fair majority, which ought always to be respected.⁴

It seems that as Jefferson watched the progress of Hamilton's measures in Congress, he became more and more convinced that the members who supported them represented their own personal interests rather than the mass of the voters—particularly, the agrarian interests. At all events, he took the trouble to compile a roll of the "paper men" in Congress in March, 1793, and this list he incorporated in the *Anas*. This list of stock-holders in the Bank

² Jefferson, *Writings* (Ford ed.), I. 160-161. Ford charges Jefferson with being mistaken in separating the funding and assumption acts and supposing the former to have been over before his arrival in New York. The fact is that Ford is himself in error although technically correct. Jefferson is correct in saying that the proposition to pay all holders at face value had been carried before his arrival. Madison's proposition to discriminate between original holders and speculators was defeated on February 22, 1790 (*Annals of Congress*, II. 1344), which was for practical purposes equivalent to saying that the debt would be funded at face value. That was settled when Jefferson arrived in March, 1790, although it is true the funding bill did not finally pass until August, 1790. The edition of the *Annals* referred to throughout this article is the one in which volume I. ends with page 1321, volume II. with page 2418.

³ *Writings* (Ford ed.), V. 275.

⁴ *Ibid.*, VI. 102-103. For this and several other references, I am indebted to Professor Max Farrand.

embraces the following men who were in the first Congress: Gilman, Gerry, Sedgwick, Ames, Goodhue, Trumbull, Wadsworth, Benson, Lawrence, Boudinot, Fitzsimons, Heister, Williamson, W. L. Smith, Sherman, Ellsworth, King, Robert Morris, W. S. Johnson, and Izard. After this enumeration of the paper men, Jefferson places a table showing the composition of Congress at that time:

	H.-Repr.	Senate
Stock-holders (Bank)	16	5
Other paper	3	2
	<hr/> 19	<hr/> 7
Suspected	2	4

It is not apparent how Jefferson secured this information, but it would seem from the foot-notes which he adds that he derived it from personal inquiry and through the inquiries of his friends. Whether he had access to the Treasury and Bank books through a clerk or a partizan is a matter for conjecture.⁵

Jefferson was not alone in characterizing the Federalist party in Congress as a group held together by private economic interests. All through Maclay's querulous sketches of the debates in the first Senate there runs a plaint that some of his colleagues were busily engrossed in augmenting their personal fortunes as the prices of securities mounted upward during the battle over the funding process. Maclay even went so far as to say that the whole funding scheme was simply a speculator's device. "Pay the debt", he declared, "or even put it in a train of payment, and you no longer furnish food for speculation. The great object is by funding, and so forth, to raise the certificates to par; thus the speculators, who now have them nearly all engrossed, will clear above three hundred per cent."⁶ Maclay not only charged many of his colleagues with speculation, but denounced the whole funding process as a gambler's device. He reported rumors to the effect that Vining of Delaware was offered a thousand guineas for his vote in favor of the assumption of state debts; but he confessed that he does not know whether pecuniary influence was actually used although he was "certain that every other kind of management has been practiced and every tool at work that could be thought of".⁷

Madison also discovered the weight of personal interest in the Congress when he sought to bring about a discrimination between the original holders of public paper and the speculators and purchasers, and was defeated by a vote of thirteen to thirty-six. Writ-

⁵ *Writings* (Ford ed.), I. 223.

⁶ Maclay, *Journal of William Maclay* (1890), pp. 199-201.

⁷ *Ibid.*, p. 209.

ing a year later to Jefferson, he described the subscriptions to the Bank as nothing but a scramble for public plunder and added that "of all the shameful circumstances of this business, it is among the greatest to see the members of the Legislature who were most active in pushing this job openly grasping its emoluments".⁸

It was not only Anti-Federalists who discovered the origin of the party antagonism in the conflict over the financial propositions of the new government. That profound student of politics and acute observer of public affairs, John Marshall, laconically stated that the first regular and systematic organization of the opposition party "originated" in the conflict over the fiscal measures of the Federalists.⁹ And at another point, when speaking of the Bank bill, he says, "This measure made a deep impression on many members of the legislature; and contributed, not inconsiderably, to the complete organization of those distinct and visible parties, which, in their long and dubious conflict for power, have since shaken the United States to their centre."¹⁰

It would seem, therefore, that the first outward and visible signs of the Federalist-Republican antagonism should be sought in the votes of the first Congress on the fiscal measures advanced by Hamilton. If an examination of these votes and their geographical distribution shows no correspondence with the individual interests of the senators and representatives or with the economic interests of their respective constituents, we may accept the "cherishment-of-the-people" theory as to the origin of the two parties. If, on the other hand, we find in these votes a fairly definite correspondence with economic interests, we may seriously discount the traditional explanation of the first party antagonism, particularly when we remember that these votes were cast before the formal organization of the parties and before any formulation of principles occurred. *Im Anfang war die That*.

Obviously, however, it would be impossible within the limits of this article to solve the problem here presented,¹¹ but a beginning may be made with an examination of the vote on the assumption of the state debts and the security-holding interests in the first Congress. As everyone knows, it was the purpose of the Federalists to underwrite the new government by drawing to it all of the financial interests in the country, state as well as national; and the assumption of state debts was simply one part of the larger scheme.

⁸ *Letters and other Writings* (Philadelphia, 1865), I. 538.

⁹ *Life of Washington* (Philadelphia, 1832), II. 181.

¹⁰ *Ibid.*, II. 206-207.

¹¹ The larger problem will be considered in my forthcoming *Economic Interpretation of Jeffersonian Democracy*.

All security holders were to benefit from this arrangement, and of course state paper, after the funding into federal stocks, appreciated along with the latter.

In taking up here the vote on the assumption of state debts, we are considering no isolated phenomenon, but an integral part of the larger problem above stated. Jefferson was, therefore, speaking of assumption as well as the Bank and other measures when he wrote,

I confirmed him [Washington] in the fact of the great discontents to the South, that they were grounded on seeing that their judgments and interests were sacrificed to those of the Eastern states on every occn. and their belief that it was the effect of a corrupt squadron of voters in Congress at the command of the Treasury, and they see that if the votes of those members who had an interest distinct from and contrary to the general interest of their constituents had been withdrawn, as in decency and honesty they should have been, the laws would have been the reverse of what they are in all the great questions.¹²

From Jefferson's day to this, students of history have wondered how much credence should be given to the rumors of Maclay and the allegations of Jefferson and his partizans concerning the "paper men". Writers have given weight to them or discounted them according to their predilections, but no one seems to have taken the trouble to attempt a verification or refutation of them from the records of the Treasury Department, where, for nearly a hundred years, the books of the early fiscal administration have lain covered with accumulating dust.

As everyone knows, under the funding system set up by the new government, nearly all holders of old paper brought their securities to the Treasury or to the loan offices of their respective states to be transformed into new certificates of indebtedness. If the Treasury records at Washington were complete (unfortunately they are not) it would be possible to discover the names of all those who funded public securities under the law of August 4, 1790, except perhaps those represented by attorneys.

The incompleteness of the records makes it impossible, however, to discover positively what members of Congress did *not* have securities; but the mass of materials which remains enables us to find a large number who did hold public paper at the time of the funding of the debt. The exact number cannot be ascertained; but the evidence concerning those who did hold securities is indisputable, unless we are to assume that the members of Congress who appear on the ledgers were attorneys for other parties.

¹² *Writings* (Ford ed.), I. 215.

The method of search by which the data below were secured was as follows. The names of all the senators and representatives of the first Congress were taken in alphabetical order and a search for each name was made among all the old books in the Treasury Department. When the search was finished, the names of all security holders were starred. *Not until this was done was an inquiry made into the way in which the several members voted on Hamilton's fiscal measures.* Thus an attempt was made to eliminate all bias which might have led to oversights in particular cases. When a member of Congress is put down as *not* holding securities, it is to be understood, therefore, that this may be an error due to the incompleteness of the records or to an oversight by the present writer.

That the percentage of error is not high, however, seems to be probable, in view of the geographical distribution of the members not holding securities. They appear principally from the South, where, it can be shown from the Treasury Books, the amount of public securities in the hands of residents was far smaller than in the Northern and Eastern states.

The amount held by each member who appears on the books is not set down here and the assumption is not made that all security holders in Congress were at the same time speculators. A number of them, particularly the senators, were vigorous speculators, but that is not the point. The question at issue is the number of members of Congress who were "disinterested" parties in the contest over the fiscal measures of the new government and the nature of their "constituency pressures".

The proposition to assume the state debts was taken up in the House of Representatives in February, 1790, immediately after the defeat of Madison's scheme for discriminating between original holders and purchasers.¹³ In March, it was carried in the committee of the whole house. Maclay thus records the event:

Officers of Government, clergy, citizens, (Order of) Cincinnati, and every person under the influence of the Treasury; Bland and Huger carried to the chamber of Representatives—the one lame, the other sick; Clymer stopped from going away, though he had leave, and at length they risked the question, and carried it, thirty-one votes to twenty-six. And all this after having tampered with the members since the 22d of last month (February), and this only in committee, with many doubts that some will fly off and great fears that the North Carolina members will be in before a bill can be matured or the report gone through.¹⁴

As Maclay predicted, the North Carolina members soon put in their appearance, and on April 12 the assumption plan was defeated in the House by a vote of thirty-one to twenty-nine. Maclay was

¹³ *Annals of Congress*, II. 1355.

¹⁴ *Op. cit.*, p. 209.

in great glee over the outcome of the struggle, and he recites how Fitzsimons "endeavored to rally the discomfited and disheartened heroes" and expressed the belief that reconsideration and adoption were not yet out of the question. At this, says the Pennsylvania senator, "the Secretary's group pricked up their ears and Speculation wiped the tear from either eye. Goddess of description, paint the gallery; here's the paper, find fancy quills, or crayons yourself."¹⁵

Those whose tears were wiped away set to work to bring over enough Southern representatives to carry the assumption measure, in spite of the gloomy outlook. The way in which the "innocent" Jefferson was undone by the "wily" Hamilton and unwittingly used to bring about the exchange of the capital for the assumption of state debts, on July 7, has often been told, and needs no retelling here.¹⁶ Jefferson informs us that "two of the Potomac members (White and Lee, but White with a revulsion of stomach almost convulsive) agreed to change their votes and Hamilton undertook to carry the other point." Daniel Carroll, a large property holder in the region where the new capital was to be located, also considerably changed his vote. Thus the bargain whereby the capital was located on the Potomac and the debts of the states were assumed by the federal government was brought to a conclusion at a private dinner given by Jefferson. The funding bill with the assumption amendment was carried in the Senate on July 21, where the Treasury had its most dependable vote.¹⁷ Three days later the motion of Jackson, of Georgia, to disagree with the Senate amendment, was defeated by a vote of thirty-two to twenty-nine.¹⁸ It is this vote which is analyzed below.

The vote on the bill as passed by the Senate,¹⁹ in its amended form, on July 21 was as follows:

Yeas: Langdon, New Hampshire	Nays: Wingate, New Hampshire
Strong and Dalton, Massachusetts	Foster and Stanton, Rhode Island
Ellsworth and Johnson, Connecticut	Bassett, Delaware
King and Schuyler, New York	Maclay, Pennsylvania
Paterson and Elmer, New Jersey	Henry, Maryland
Read, Delaware	Johnston and Hawkins, North Carolina
Morris, Pennsylvania	Lee and Walker, Virginia
Carroll, Maryland	Few and Gunn, Georgia [12]
Butler and Izard, South Carolina [14]	

¹⁵ *Op. cit.*, pp. 237-238. The reporter of the debates over the public credit notes that "the galleries were unusually crowded" on January 28, 1790, and doubtless there was a crowd on April 12.

¹⁶ *Writings* (Ford ed.), I. 161 ff.

¹⁷ *Annals of Congress*, I. 1055.

¹⁸ *Ibid.*, II. 1753.

¹⁹ *Annals of Congress*, I. 1054-1055.

Of the fourteen senators who voted in favor of the funding bill, with the assumption amendment, on July 21, 1790, at least ten, Langdon, Strong, Ellsworth, Johnson, King, Schuyler, Read, Morris, Charles Carroll, and Izard, appear upon the Treasury records as holders of public securities at the time of the funding process.²⁰ To this list Pierce Butler doubtless should be added.²¹ Those not found on the records are Dalton, of Massachusetts, and Elmer and Paterson, of New Jersey.²²

Of the twelve who voted against the funding bill on July 21, 1790, at least five, Maclay, Bassett, Johnston, Few, and R. H. Lee, were holders of public debt, but the holdings of Maclay, Bassett, and Few were trivial in amount.²³ The names of seven senators who voted against funding, Wingate, Stanton, Foster, Henry, Hawkins, Walker, and Gunn, were not found on the Treasury records.

A table built upon this data would run as follows:

	Security holders	Non-holders
For the funding bill	11	3
Against the bill	5	7
Total, 26	16	10

A study of the Treasury records shows that the senators who held securities and voted for the funding bill, were with one or two exceptions, among the large holders of public papers, and that the senators of the same class who voted against the bill (with the possible exception of Johnston of North Carolina) were among the minor holders.

Even a superficial examination of the vote in the Senate is interesting in view of the party divisions which soon ensued. The "Eastern" states were almost solid for the bill. New Hampshire was divided; but Massachusetts, Connecticut, New York, and New Jersey were unanimous. The financial centres of Portsmouth, Boston, Hartford, New York, Philadelphia, and Charleston were correctly represented.

²⁰ For the holdings of Langdon, Strong, Ellsworth, King, Johnson, Schuyler, Read, Morris, and Carroll, see Beard, *Economic Interpretation of the Constitution*, chap. V.; for Izard, see "Loan Office: S. C., 1790", p. 17.

²¹ *Economic Interpretation*, p. 82. After the publication of this work I found Pierce Butler's name on the "Index to the Registered Debt", which I believe was the debt at the Treasury itself, the records of which are largely missing.

²² The name of William Paterson appears on the New Jersey records for a small amount, but it is not possible to identify this security holder with the senator.

²³ For Few and Bassett, see *Economic Interpretation*, chap. V.; R. H. Lee, "Virginia: Index to Loans"; Maclay, "Loan Office: Penna., 1790-1791", pp. 117, 118; Johnston, "Loan Office: N. C., 1791-1797", pp. 1, 40.

Equally significant is the vote against the bill. Seven of the twelve votes in opposition came from Southern states. Virginia, North Carolina, and Georgia were solid against it. These were the states (particularly Georgia and North Carolina) in which the debt had been so largely bought up by speculators.²⁴ Only one of the votes against the bill came from north of Pennsylvania: Wingate of New Hampshire refused to join his colleague, Langdon, in support of the measure.

The vote in the House of Representatives, on July 24, on the proposition to disagree with the Senate amendment to the funding bill providing for the assumption of state debts stood twenty-nine to thirty-two. A study of this vote in the light of the Treasury records is informing and it seems best to take members up *seriatim*, beginning with New Hampshire.

The delegation of *New Hampshire* was divided on assumption. Nicholas Gilman and Samuel Livermore were against it, and Foster (of Rockingham County) voted in favor of it. As measured by the interest disbursements in 1795,²⁵ New Hampshire stood tenth in the amount of federal securities held by her citizens, and there was a strong opposition to assumption in that commonwealth. Livermore, in voting against it, said that he would only approve the proposition in case it was agreed merely "to assume the balances found to be due to the creditor States, upon the final adjustment and liquidation of the accounts between the United States and the individual States".²⁶ Of the three New Hampshire representatives, one, Nicholas Gilman,²⁷ was found among the holders of public paper, and he voted against assumption.

The eight representatives of *Massachusetts* in the House voted solidly in favor of assumption. Of these, Ames, Gerry, Grout, Leonard, Partridge, and Sedgwick, at least six, appear as security holders on the loan office books of Massachusetts.²⁸ As measured by the interest disbursements of 1795, that state stood second in the amount of securities held by her citizens, and the weight of the state debt which was transferred to the federal government was so great that Massachusetts tax-payers, as well as security holders, felt a great relief when the burden was shifted. Mr. Sedgwick doubt-

²⁴ See below, p. 294-295.

²⁵ *An Account of the Receipts and Expenditures of the United States for the Year 1795*, p. 65.

²⁶ *Annals of Congress*, II, 1412.

²⁷ Beard, *Economic Interpretation*, p. 93.

²⁸ Consult indexes to the 6 per cent. deferred stock and the 3 per cent. stocks in Massachusetts collection in the Treasury Department; for Gerry, see *Economic Interpretation*, p. 95.

less expressed the sentiments of all his colleagues when he said, on February 24, that assumption "will terminate in the suppression of direct taxes; it will abolish invidious distinctions between States and their citizens; it will fix the value of State securities, and bring them into operation as a circulating medium".²⁹

Connecticut cast her five votes solidly in favor of assumption. Of her five members in the House, at least four, Sherman, Sturges, Trumbull, and Wadsworth, appear among the holders of public securities on the loan office books of *Connecticut*.³⁰ That state, though reckoned among the smaller commonwealths, stood fifth in the amount of securities held by her citizens, as measured by the interest disbursements of 1795. Not only was the amount of the state debt considerable; but it was widely distributed among the various towns. This fact is proved by the records in the Treasury Department.³¹ Moreover, Sherman confirms this, for during the debates in the House on March 1, he said:

The circulation of the revenue would be very agreeable to the greater proportion of the inhabitants; because the evidences of the State debts were generally in the hands of the original holders. He had made particular inquiry into this circumstance, and so far as it respected *Connecticut*, he was led to believe it was true of nineteen-twentieths. There were one hundred thousand dollars in specie in the hands of the original holders in the very town in which he lived. He believed very little besides the army debt had been transferred in that State; and even of the army debt, it was only that portion which fell into the hands of the soldiers.³²

New York was evenly divided on assumption. Benson and Lawrence, who "ably represented the southern districts of New York",³³ voted in favor of the proposition, and to their votes was added the vote of an up-state representative, Peter Sylvester. Of the three, Lawrence was a security holder, and among the large operators in public stocks in New York.³⁴ He was also deeply interested in the first United States Bank and was on the first board of directors.³⁵ Jefferson records Benson in his list of paper men on hearsay³⁶ but an examination of the records in the Treasury Department failed to reveal his name. Sylvester does not seem to

²⁹ *Annals of Congress*, II. 1386.

³⁰ Consult Indexes to the Loan Office Books of *Connecticut* in the Treasury Department. For Sherman, see *Economic Interpretation*, p. 143.

³¹ See map in *Economic Interpretation*, p. 265.

³² *Annals of Congress*, II. 1440-1441.

³³ Hildreth, *History of the United States* (second series), I. 43.

³⁴ New York Loan Office Books in the Treasury Department, and *State Papers, Finance*, I. 165.

³⁵ Dunlap's *Daily Advertiser*, October 22, 1791.

³⁶ *Writings* (Ford ed.), I. 223, note 1.

have been interested in public paper on his own account. Of the three New York representatives who voted against assumption, two, Floyd and Hathorn, were not found among the security holders; but Van Rensselaer appears on the New York loan office records.³⁷

New Jersey had four representatives in the House and all of them voted in favor of assumption. Of this group, at least three, Boudinot, Schureman, and Sinnickson, were security holders.³⁸ Boudinot seems to have been the spokesman of the New Jersey delegation, but he did not participate extensively in the debate on assumption. He was warmly moved by Madison's proposition to discriminate between original holders and speculators and pleaded with his fellow-members to come to the support of the public credit in the following passionate strain:

Humanity, as well as justice, makes this demand upon you; the complaints of ruined widows, and the cries of fatherless children, whose whole support has been placed in your hands, and melted away, have doubtless reached you. Rouse, therefore; strive who shall do most for his country; rekindle that flame of patriotism which, at the mention of disgrace and slavery, blazed throughout America, and animated all her citizens.³⁹

The single vote of *Delaware* is recorded in favor of assumption; but Representative Vining does not seem to have been a security holder and citizens of that state held only a small amount of paper from the local loan office. Maclay records, as we have seen, among his rumors a statement to the effect that Senator Butler heard a man say that he would give Vining one thousand guineas for his vote on assumption, but such rumors, unsubstantiated by other evidence, deserve little or no credence.⁴⁰

Three members of the House from *Pennsylvania*, George Clymer, Thomas Fitzsimons, and Henry Wynkoop, voted in favor of assumption, and the first two were among the largest speculators and operators in securities in Philadelphia.⁴¹ Wynkoop was not found among the security holders, and he seems to have hesitated awhile before casting his vote with the Philadelphia members. Maclay records, April 1, 1790:

³⁷ "Loan Office: New York, Ledger" (no. 32), fol. 104.

³⁸ For Boudinot, see "Penna. Loan Office, 6% Stock, Ledger A", fol. 24 and Jefferson, *Writings* (Ford ed.), I. 223. For Schureman, "N. J. Loan Office, 3% Stock, Ledger C", fols. 84, 122; for Sinnickson, *ibid.*, fol. 91; Rebecca Cadwalader appears on *ibid.*, fols. 83, 127.

³⁹ *Annals of Congress*, I. 1176.

⁴⁰ The collection of the Delaware Loan Office in the Treasury is meagre indeed. Maclay, *Journal*, p. 209 (date of March 9, 1790).

⁴¹ *Economic Interpretation*, pp. 83, 91.

I took an opportunity of speaking to Mr. Wynkoop. I was pointing out some inconveniences of the assumption. I found he seemed much embarrassed. Lawrence and Benson⁴² had got him away from his usual seat to near where they commonly sat. He paused a little; got up rather hastily; said, "God bless you!" went out of the chamber, and actually took his wife and proceeded home to Philadelphia.⁴³

He returned in time however to cast his vote with Benson and Lawrence for assumption.

Four Pennsylvania representatives voted against assumption, Hartley, Heister, Peter Muhlenberg, and Thomas Scott—the last being "from the settlements beyond the Alleghanies". Of this group, Daniel Heister appears to be the only security holder on the books.⁴⁴

As we move southward we find the opposition to assumption and the funding system steadily increasing (if we except South Carolina, where the security operations were considerable, particularly among the Charleston Federalists). The *Maryland* delegation was seriously divided. Only two representatives from that state voted in favor of assumption when the test vote was taken on July 24—Daniel Carroll and George Gale, both of whom were security holders.⁴⁵ Carroll voted against assumption at first, but was induced to change his view during the negotiations over the location of the capital.⁴⁶ He was of the inner circle which traded assumption for the capital; he was somewhat interested in public paper; and he had the satisfaction of helping to engineer the laying out of the city of Washington in such a manner as to give an immense appreciation to the value of his farm lands in the vicinity.⁴⁷

Of the four Maryland representatives who voted against assumption, Stone and William Smith appear among the security holders,⁴⁸ but Seney and Contee were not found.

The weight of the *Virginia* delegation in Congress was thrown against assumption from the beginning of the contest, and apparently the vote would have been solid against it at the end had it not been for the famous bargain whereby Alexander White and Richard Bland Lee changed their votes and bought the capital at the cost of assumption.⁴⁹ The "Index to the Virginia Loans", preserved

⁴² See above, p. 291.

⁴³ *Journal*, p. 228.

⁴⁴ "Index to Pa. Loan Office Books, Loan of 1790".

⁴⁵ *Economic Interpretation*, p. 82; "Alphabet Dividend Book" in the Loan Office records of Maryland in the Treasury Department.

⁴⁶ Jefferson, *Writings* (Ford ed.), I. 164, note 1.

⁴⁷ H. Crew, *History of Washington*, p. 108.

⁴⁸ "Alphabet Dividend Book", as above cited.

⁴⁹ Jefferson, *Writings* (Ford ed.), I. 164. Theodorick Bland, of the Virginia delegation, is not recorded as voting.

in the Treasury Department shows only John Brown of Richmond among the security holders, and Brown was among the seven Virginia representatives who voted against assumption. The two members who at last gave their reluctant consent to the scheme do not seem to have been holders of public paper.

As measured by interest disbursements in 1795 Virginia, in proportion to her population, stood surprisingly low in the amount of securities held by her citizens. Massachusetts citizens received from the federal government in that year \$309,500 and Virginia citizens received only \$62,300. In fact, Massachusetts, Connecticut, New York, Pennsylvania, Maryland, and South Carolina stood above Virginia in the list. The "Loan Office: Register of Subscriptions" (for 1791) now in the Treasury Department shows that of the total £500,307 15s. 10d. worth of Virginia certificates presented for funding only a small amount was in the hands of the original holders. The major portion had been bought up by brokers and speculators in Virginia towns and in Baltimore, New York, Philadelphia, and other financial centres. Among the larger operators in Virginia paper were Thomas Willing (the partner and agent for Robert Morris and first president of the First United States Bank) and LeRoy and Bayard of New York City. This large folio volume would repay detailed examination by anyone attempting to penetrate into the origins of high finance in the United States.

The entire delegation from *North Carolina* in the House of Representatives voted against assumption. Maclay informs us that on March 26 the Pennsylvania group had induced Williamson and Ashe from North Carolina to change their minds,⁵⁰ but for some reason or another they reverted to their first view. Of the five members from that state on record against assumption, only one, Williamson, seems to be entered among the security holders.⁵¹ It would appear that he was inclined to support assumption, but yielded to the great pressure of his constituents and colleagues.

North Carolina stood third from the bottom of the list in the amount of securities held by her citizens, as measured by the interest disbursements of 1795 (\$3,200). The books of the North Carolina loan office preserved in the Treasury Department explain how this result had been brought about. Speculators from Northern cities appear on nearly every page of the ledgers as purchasers of the certificates from original holders. Thus it happened that North Carolina paper was not only taken out of the hands of widely scattered holders, who might otherwise have given their weight to

⁵⁰ *Journal*, p. 224.

⁵¹ *Economic Interpretation*, p. 146.

the funding system, but it was concentrated in the hands of brokers in cities in other states.⁵²

In fact, it was the action of Northern brokers (particularly from New York city) in buying up the securities of North Carolina, as well as those of Georgia and South Carolina, which made many Southern opponents of assumption so bitter in their denunciation of Hamilton's proposals. Very early in the debate on the report of the Secretary of the Treasury, Mr. Jackson, of Georgia, exclaimed with evident feeling:

Since this report has been read in this House, a spirit of havoc, speculation, and ruin, has arisen, and been cherished by people who had an access to the information the report contained, that would have made a Hastings blush to have been connected with, though long inured to preying on the vitals of his fellow men. Three vessels, sir, have sailed within a fortnight, from this port, freighted for speculation; they are intended to purchase up the State and other securities in the hands of the uninformed, though honest citizens of North Carolina, South Carolina, and Georgia. My soul rises indignant at the avaricious and immoral turpitude which so vile a conduct displays.⁵³

One of the features of the federal Constitution which the North Carolina delegates to the Philadelphia Convention of 1787 had pointed out as an inducement to their fellow-citizens to ratify that instrument was the provision requiring the apportionment of land and capitation taxes which that state, whose wealth was in real property and slaves rather than personalty in general, had reason to fear. And this very danger of a direct tax, which the assumption process might involve, caused a leading representative from that commonwealth, Mr. Williamson, to speak of that matter in the House while the assumption was under discussion.

He observed that his fellow-citizens in North Carolina were not in general rich, few of them so provident as to lay up money; for this reason, while he was entrusted with their concerns, he should oppose every measure that looked towards direct taxation. He wished never to see the day, when to satisfy a land tax, or a capitation tax, a poor man's cow or horse might be taken from him, on which he depended for the support of helpless children. Let the State debts be once assumed and you must proceed, if your calculations are bad . . . and the impost and excise does not come up to your expectations, the national honor must be preserved . . . People would not readily be reconciled to the new creed, "that the debts lately paid are State debts, but all the debts not paid are National debts," *especially as this discovery is made after*

⁵² See particularly the "Journal of Assumed Debt". Richard Platt, of New York, for example, had \$192,723.14 worth. Among the other speculators from that city were Thomas Randall, Pascal N. Smith, Gilbert Aspinwall, Edward Livingston, Leonard Cutting, William Duer, and Walter Livingston.

⁵³ *Annals of Congress*, I. 1132.

most of the certificates have changed their original holders, and have passed for a trifle into the hands of moneyed men. . . . One obvious benefit will arise from this sudden adoption [of assumption]. A few men who chanced to be near the seat of Government, and first possessed of the scheme, flew to Carolina, and there bought up securities at 3s. in the pound; those men will be liberally rewarded, while his [their] unfortunate fellow-citizens are left to pay a second tax for the same object, and to complain of the injustice of Government.⁵⁴

South Carolina was divided on assumption. For it voted Burke, William Smith, and Tucker, all of whom appear on the records of the loan office of that state as holders of public paper.⁵⁵ Only Thomas Sumter voted against assumption, according to the *Annals of Congress*; the name of Huger, the other South Carolina member, does not appear there. A search in the Treasury records fails to reveal either Sumter or Huger among the holders of public paper. South Carolina stood third from the top of the list in the amount of federal debt held by her citizens, with only New York and Massachusetts ahead.

The Georgia representatives went solidly against assumption. Of the three members composing the delegation, Baldwin, Jackson, and Matthews, only the first appears to have been a holder of public paper. A part of Baldwin's holdings was in the state paper of Connecticut, and it seems that he also held some continental paper.⁵⁶

The amount of public paper held in Georgia by original owners was almost negligible. Mr. Jackson, in one of his vehement speeches against assumption, declared,

I do not believe that there are twenty original holders in Georgia; the original holders received no interest, nor did they expect any; they parted with the certificates as they stood, without interest; the speculators now hold them, and contrary to the tenor of the certificates, the intention of the State, and the contract they made, they will be allowed interest.⁵⁷

In the interest disbursements of 1795 Georgia received only \$6,800 as contrasted with \$367,600 for New York. The Treasury records of the Georgia loan office also show that Jackson's statement was fairly accurate.

⁵⁴ *Annals of Congress*, II. 1539 ff. Italics mine.

⁵⁵ For Burke, see Treasury Department, "Loan Office, S. C., 1791-1797", p. 266; for Smith, *ibid.*, p. 45 (\$11,910.70 worth); and for Tucker, *ibid.*, volume for 1790, p. 167. Jefferson wrote in the margin of the *Anas* (but struck it out later), "I do not know any member from South Carolina engaged in this infamous business, except William Smith, whom I think it a duty to name therefore, to relieve the others from the imputation." *Writings* (Ford ed.), I. 162, note.

⁵⁶ *Economic Interpretation*, p. 75.

⁵⁷ *Annals of Congress*, II. 1751.

A collective view of the data here presented yields the following table:⁵⁸

States	Number of members in the House	For assumption	Against assumption	Security holders for assumption	Security-holders vs. assumption
New Hampshire.....	3	1	2		1
Massachusetts.....	8	8		6	
Connecticut.....	5	5		4	
New York.....	6	3	3	1	1
New Jersey.....	4	4		3	
Delaware.....	1	1			
Pennsylvania.....	8	3	4	2	1
Maryland.....	6	2	4	2	2
Virginia.....	10	2	7		1
North Carolina.....	5		5		1
South Carolina.....	5	3	1	3	
Georgia.....	3		3		1
	64	32	29	21	8

The temptation to draw too many conclusions from the data here presented and from the above table should be resisted. The one conclusion which is indisputable, however, is that almost one-half of the members of the first Congress were security holders. This may account partially for the defeat which overwhelmed Madison's proposal to discriminate between original holders and the speculative purchasers—thirty-six to thirteen.⁵⁹ This certainly justifies Jefferson's assertion that had those actually interested in the outcome of the funding process withdrawn from voting on Hamilton's proposals not a single one of them would have been carried.

But it should be observed that had the security holders abstained from voting on assumption, the decision of the matter would have been left to what Jefferson called "the agricultural representation", speaking for the taxpayers on whom the burden of taxation for the support of public credit principally fell. The great financial centres would have been left without any representation. Whether this would have been entrusting the delicate matter of public credit to purely "disinterested" representatives may be left to the imagination of the reader.

Finally, it should be noted that quite a number of security holders voted *against* assumption and contrary to their personal interest; and an examination of the vote with reference to the

⁵⁸ The Constitution made provision for 65 members of the House of Representatives. Sixty-one votes were cast on the assumption proposition. The four not recorded were Speaker Muhlenberg, Bland, of Virginia, Huger, of South Carolina, and the Rhode Island representative.

⁵⁹ *Annals of Congress*, II. 1344.

geographical distribution of the public securities would seem to show beyond question that nearly all of the members, security holders and non-security holders alike, represented the dominant economic interests of their respective constituencies rather than their personal interests. In many instances there was, it is evident, a singular coincidence between public service, as the members conceived it, and private advantage; but the charge of mere corruption must fall to the ground. It was a clear case of a collision of economic interests: fluid capital versus agrarianism. The representation of one interest was as legitimate as the other, and there is no more ground for denouncing the members of Congress who held securities and voted to sustain the public credit than there is for denouncing the slave-owners who voted against the Quaker memorials against slavery on March 23, 1790.⁶⁰

By way of conclusion, one is moved to conjecture what kind of government could have been established under the Constitution, if there had been excluded from voting on the great fiscal measures all "interested" representatives, and the decision of such momentous issues had been left to those highly etherealized persons who "cherished the people"—and nothing more.

CHARLES A. BEARD.

⁶⁰ *Annals of Congress*, II. 1523.